

**2010 NCSHA ANNUAL AWARDS FOR PROGRAM EXCELLENCE**

Category and Subcategory:  
Homeownership- Encouraging New Production

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**RESPONDING TO HOUSING NEEDS**

The New Jersey Housing and Mortgage Finance Agency (HMFA) is proud to offer Choices in Home Ownership Incentives for Everyone (*CHOICE*), the Agency's comprehensive financing program to build for-sale housing in New Jersey. The *CHOICE* program provides developers with construction financing and subsidies to enable the construction of mixed-income, for-sale housing across the state. *CHOICE* subsidies support the construction of affordable units (to households with incomes under 80%) as well as emerging market units that are built in developing neighborhoods where market sales prices don't quite cover all eligible costs of construction. The HMFA makes it feasible to construct in these neighborhoods by bridging the financing gap with subsidy from the *CHOICE* program. A developer is now eligible to receive a below-market interest rate construction loan and up to \$2 million in subsidy per project. The maximum subsidy per unit is \$100,000 for each affordable unit and \$75,000 for each emerging market unit.

**EMPLOYING EFFECTIVE PARTNERSHIPS**

Participants of the *CHOICE* program include for-profit and non-profit developers that exhibit previous experience in housing development. Joint ventures involving legally recognized for-profit and non-profit unrelated entities are also eligible applicants, but at least one of the major entities in the joint venture must demonstrate prior experience in housing development.

For each *CHOICE* project, the Agency provides 50% of the approved construction loan required to complete the project with the balance of the loan provided by the applicant's private lead lender. The lead lender must be independent of the developer. At time of closing, the Agency will set a floating interest rate on its portion of the loan that is 2 points below the interest rate offered by the lead lender on its portion of the loan. Through this process, the HMFA ensures that itself and another lender are reviewing and vested in the project to guarantee its success.

**DEMONSTRATE EFFECTIVE USE OF RESOURCES**

*CHOICE* does not receive any state appropriations. It is financed solely out of the operating revenues of the HMFA, whose mission is to increase affordable homeownership housing for low- and moderate- income families throughout the State and to help develop viable urban homeownership markets. To date, *CHOICE* has financed the construction of over 2,700 homeownership units in 50 municipalities. *CHOICE* has also leveraged over \$200 million in

New Jersey Housing and Mortgage Finance Agency  
Choices in Home Ownership Incentives Created for Everyone (CHOICE)

additional private and federal investment. Clearly, *CHOICE* is one of HMFA's most successful and sought after programs and is having an enormous impact across the state.

### **SUCCESS IN THE MARKETPLACE**

One of the many successful *CHOICE* projects is Catherine S. Graham Square located in Trenton, NJ. For over two centuries the seven acre site in New Jersey's capital city was home to a long list of manufacturers and growing contamination. The property's last industrial facility closed in 1989. Since that time, the Environmental Protection Agency, the New Jersey Department of Environmental Protection and the City of Trenton removed over 15,000 tons of contaminated soil and replaced it with clean fill. The remediated site is now home to a \$10 million, 42 unit residential development known as the Catherine S. Graham Square, which was named after the late civil rights activist who headed the Trenton Chapter of the NAACP. Catherine S. Graham Square was financed with a \$2.7 million *CHOICE* construction loan and \$2.6 million in *CHOICE* subsidy (This project took place before a \$2 million subsidy per project cap took effect). The project was completed in April 2010 and currently has 35 contracts of sale. Catherine S. Graham Square truly furthers our capital city's goal to increase homeownership by providing homebuyers with the opportunity to purchase homes in a vibrant area with modern amenities at affordable prices.

### **BENEFITS TO HFA CUSTOMERS**

The HMFA also offers favorable end loan financing to eligible homebuyers of *CHOICE* financed units. The Agency's 100% Financing Program does not require a downpayment or private mortgage insurance and has the homebuyer may finance certain closing costs.

In addition to the 100% Financing program, the Agency is proud to offer a host of mortgage products that provide down payment and closing cost assistance for eligible homebuyers. For example, the Smart Start Program is available to participants in the Agency's first time homebuyer program who are purchasing homes in Smart Growth designated areas of existing development where the State encourages additional development and redevelopment. The program assists families by offering a soft second mortgage for downpayment and closing costs up to 4% of the first mortgage. This downpayment and closing cost assistance is forgiven if the homeowner remains in the home for five years. Similarly, the Live Where You Work Program (LWYW) provides homebuyers that live and work in the same municipality with a second mortgage for downpayment and closing costs up to 5% of the first mortgage. This assistance is also forgiven. The municipality must be a participating Live Where You Work Partner. The goal of LWYW is to build stronger communities by promoting homeownership and encouraging people to live closer to their jobs.

**PROVIDES BENEFITS THAT OUTWEIGH COSTS**

The *CHOICE* Program is a successful example of a government program that is helping to rebuild, revitalize and diversify neighborhoods across the State. *CHOICE* not only serves as a catalyst for creating viable homeownership markets in municipalities where home values currently do not support new construction, it also assists with the creation of affordable homeownership developments in municipalities that have viable homeownership markets, and maintain a commitment to provide affordable housing in their communities. *CHOICE* truly exceeds the HMFA's strategic objective, to provide homeownership opportunities for low- to moderate-income families throughout the State.